

54

SHULLY'S INDUSTRIES LIMITED



"A Year of Integration"



ANNUAL REPORT

for Year Ended January 31, **1970**

SHULLY'S INDUSTRIES LIMITED

EXECUTIVE OFFICES:

100 TORYORK DRIVE, WESTON 486, ONTARIO

DIRECTORS:

MAURICE SHULLY
HAROLD IRWIN SHULLY
GILBERT JAY SHULLY
RAPHAEL DAVID WOLFE
LEON ELLIOT WEINSTEIN
ALBERT SHIFRIN, Q.C.
BEN BURKE

OFFICERS:

MAURICE SHULLY,
President
HAROLD IRWIN SHULLY,
Vice-President and Secretary
GILBERT JAY SHULLY,
Vice-President and Treasurer
MAURICE BRONNER,
Vice-President, Comptroller

TRANSFER AGENTS AND REGISTRAR:

GUARANTY TRUST COMPANY OF CANADA

AUDITORS:

PAPE, STROM, LAVINE & SHULMAN

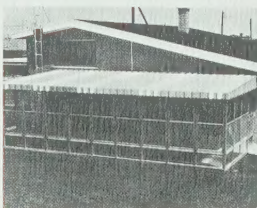
BANKERS:

CANADIAN IMPERIAL BANK OF COMMERCE
BANK OF MONTREAL

THE DUMONT ALUMINUM LIMITED

Consisting of twenty branch stores throughout most of Southern, Central and Eastern Ontario, The Dumont Aluminum Ltd. is an integral part of the retail operation which plays such an important role in the growth of your company. Each branch is fully staffed with its own manager, salesmen, installation and service crews in order to maximize our service to customers in the local area.

This policy has proven wise by virtue of a steady growth in sales of the aluminum products it sells for home modernization — windows, doors, railings, porch and patio enclosures, sidings, awnings, eavestroughs, shower doors and tub enclosures.



SHULLY'S AUTOMATIC HEATING & COOLING CO. LIMITED

Operating only in the Metropolitan Toronto area, this branch of our retail operation has five strategically located outlets (including Eaton's Department Stores) from which to present its wide range of aluminum products to the public.

As in our other retail divisions, each branch has its own manager, salesmen, installation and service crews so that customers are served directly, from sales to installation, by the branch from which the purchase is made.

This company also operates a wholesale division which services independent distributors of aluminum home improvement products in areas other than those served by our retail outlets.



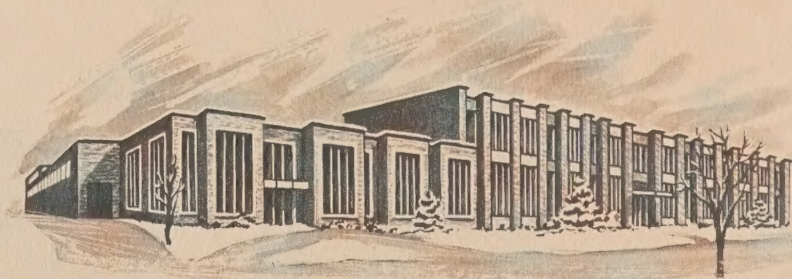
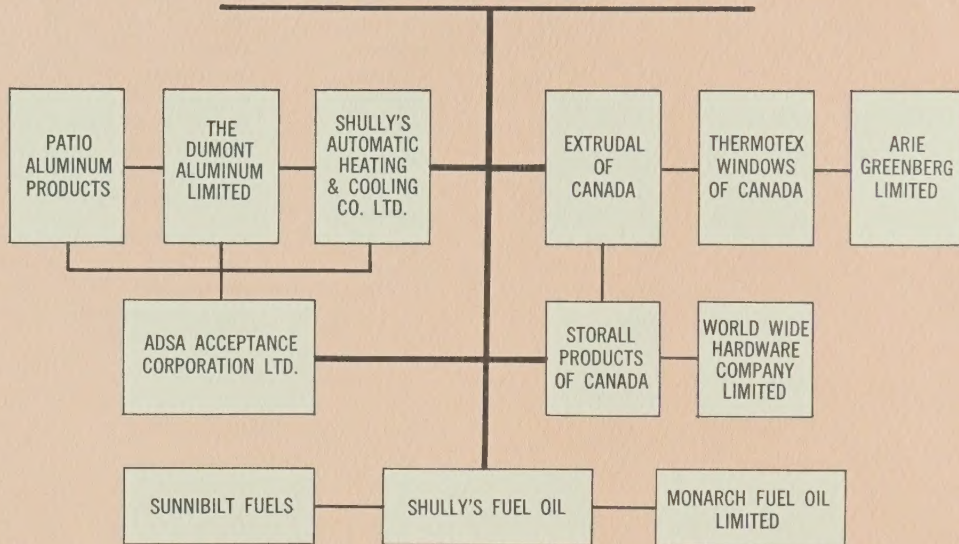
PATIO ALUMINUM PRODUCTS LIMITED

This very active division of the company manufactures a wide range of sliding patio doors and window units for industrial and apartment projects. They are extensively marketed across the country and in Europe as well.

Our entry into the European market has produced sales in the United Kingdom, Germany, Italy and France. Distributorships in these countries have been established on a guaranteed franchise basis.



SHULLY'S INDUSTRIES LIMITED



100 TORYORK DRIVE, WESTON 486, ONTARIO

**ADSA
ACCEPTANCE
CORPORATION LIMITED**

A wholly owned subsidiary of Shully's Industries Ltd., Adsa is an important part of our customer service group.

Its function is to finance the well-scrutinized long term sales of our own various retail divisions, thereby providing a complete financing service without incurring third party liability.

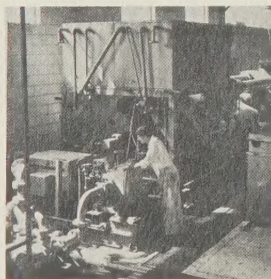
This important financial service fits into our program of giving our customers a complete range of services associated with providing, installing, servicing and financing their building requirements.



**EXTRUDAL
OF
CANADA**

By providing extrusions to all divisions, Extrudal is able to effect internal savings on production costs. At the present time, sales of aluminum profiles are divided between our own group of companies and other industrial companies producing aluminum products, thereby providing an additional profitable source of sales for your company.

Extrudal have recently completed installation of one of Canada's most modern self-operating paint lines capable of painting both aluminum and steel at the same time. The line can paint lengths of aluminum extrusions, and precoat aluminum lineals — a service in great demand by manufacturers who don't have their own facilities. An anodizing and buffing plant is now being installed so that all finishes of metal — mill, paint or hard coat can be supplied.



**THERMOTEX
WINDOWS
OF CANADA**

The largest producer of aluminum windows and doors in Southern Ontario, Thermotex serves all segments of the building industry. Its products are used extensively in the construction of commercial buildings, high-rise apartments and residential sub-divisions. The company also designs and fabricates windows and doors to meet the rigid architectural specifications of individual jobs.

The company is divided into wholesale and retail divisions. The retail division sells directly to the public and the wholesale division ships both windows and doors to department stores, lumber dealers and hardware distributors. They, in turn, retail these items to their customers, thereby providing an additional outlet for our products.



**ARIE
GREENBERG
LIMITED**

This newest addition to our ever growing company makes extensive use of aluminum extrusions and glass in the fabrication and installation of store fronts and lobbies for apartment and commercial buildings.

Purchased for the development of new product lines in the domestic market, its acquisition greatly increases our scope and broadens our base of operations to include a profitable area in which we have not previously been too active. Prior to the acquisition it had been necessary to sub-contract this phase of our business to outside suppliers of which Greenberg was one.



**STORALL
PRODUCTS
OF CANADA**

Marketed through distributors from coast to coast, the garden storage sheds manufactured by this division are proving to be a most unique outdoor item.

Patented, and unlike any other unit on the market, the Storall sheds provide customers with an excellent way of storing garden equipment without overcrowding basements, garages or other household areas. They are produced in our own plant with highly automated, sophisticated equipment, including the new paint line, an important cost-saving production factor.



SHULLY'S FUEL OIL SERVICES

Our fuel oil department consists of three divisions; Shully's Fuel Oil, Sunnibilt Fuels and Monarch Fuel Oil Limited.

We are one of the largest independent fuel oil distributors in Canada, servicing domestic and industrial fuel oil users throughout the Metropolitan Toronto area. The department operates a modern fleet of radio dispatched trucks and offers a complete service department for all makes of oil burning equipment.

The fuel oil department maintains its own, well-equipped garage. It provides a complete maintenance service for our vast fleet of trucks, not only for the fuel oil division, but for all other divisions of the company as well, thereby eliminating the necessity of contracting vehicle service to others as was previously the case.

The department also maintains its own bulk storage tanks centrally located to facilitate fast delivery to our customers.



SHULLY'S FUEL OIL EQUIPMENT SALES

This department sells a nationally advertised line of air-conditioners, furnaces, boilers, oil burners, humidifiers, dehumidifiers, storage tanks and other equipment associated with our heating and cooling divisions.

All products are backed by a fully-trained, fully equipped maintenance department, thereby enabling us to serve our customers through sales, installation and mechanical service.



WORLD WIDE HARDWARE

Another extension of our policy of associating all our products with the building industry, this branch of Shully's Industries Ltd. sells an exclusive line of hardware products through department stores, discount stores, hardware stores, lumber yards and mail order catalogues across the country.

Products include exclusive lines from Europe, Asia and North America. They meet a wide range of retail, commercial and builder requirements.



PRESIDENT'S REPORT TO THE SHAREHOLDERS

1970 — "A Year of Integration"



DEAR SHAREHOLDER:

In spite of general economic conditions, labor unrest that affected the construction industry for so long in 1969 and the effects of "tight" money, the fiscal year ending January 31st, 1970 was a satisfactory one for your company. Sales increased by 49.7%; profits by 52.4%.

Our broad base of operations, both retail and wholesale, together with our policy of continued growth through expansion into other areas of the construction industry, enabled us to improve our earnings above those of the previous year, from a restated 62¢ to 70¢ per share. It also appears that our backlog of orders together with those currently being generated by our sales and marketing departments points to growth of profits during this year as well.

One of the reasons for the success of your company is the carefully planned association of manufacturing, service, financial and retail companies that make up Shully's Industries Limited. Each and every one of these divisions offers a complementary service to the other so that, in total, they provide an interlocking group efficiently concentrated in the industry we know best — construction.

In November 1969, we acquired Monarch Fuel Oil Limited thereby adding annual sales of

approximately 4,000,000 gallons of fuel oil to those of our own fuel oil division. The profit generated by this increase is reflected in this report for a 3 month period only (from November to the end of January) and its full contribution will become evident during the current year.

At the end of April 1970, we acquired Arie Greenberg Limited, a company making extensive use of aluminum extrusions and glass in the fabrication and installation of store fronts and lobbies for apartment and commercial buildings. The benefits of this acquisition, which greatly increases our scope of operations to include a profitable area in which we have not previously been too active, will also be reflected in current earnings.

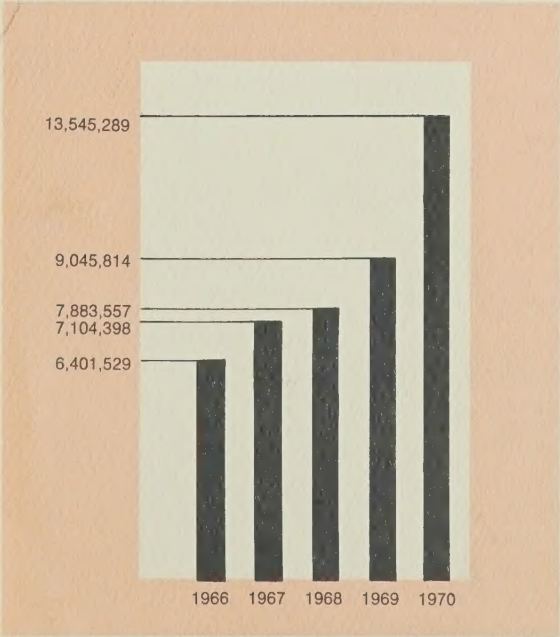
All other divisions in your company continue to show improvement, evidence of the success of our "affiliated companies" policy. The consolidation of all these divisions and service operations in our new plant at 100 Toryork

Drive in Weston, now nearing completion, will result in substantial savings in overhead and operational costs, adding a further improvement to our profit picture. These savings will more than offset the non-recurring expenses associated with this move.

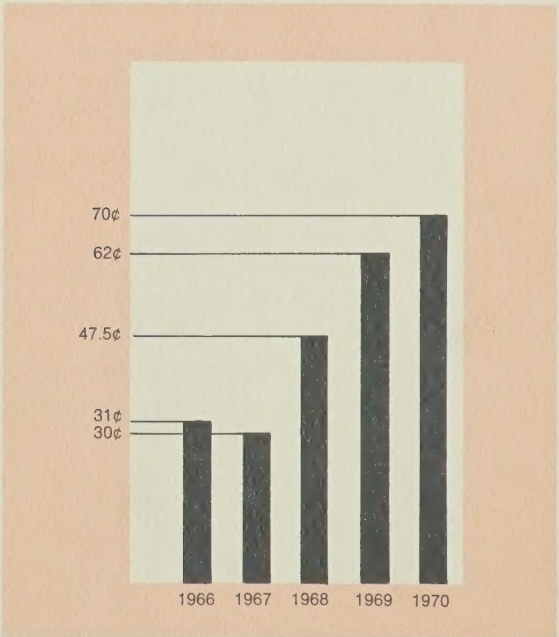
Finally, I would like to express my sincere appreciation to the men and women of Shully's Industries Limited who have made possible the success your company enjoys. Each of them, whether from the ranks of management, production, sales or administration, has performed his or her task conscientiously and efficiently. And last, but certainly not least, my thanks to our customers who, by honoring us with their trust, have proven that integrity, honesty and a desire to serve are still the attributes of a successful business.

MAURICE SHULLY,
President.

sales:



earnings per share:



PRESIDENT'S REPORT TO THE SHAREHOLDERS

1970 — "A Year of Integration"



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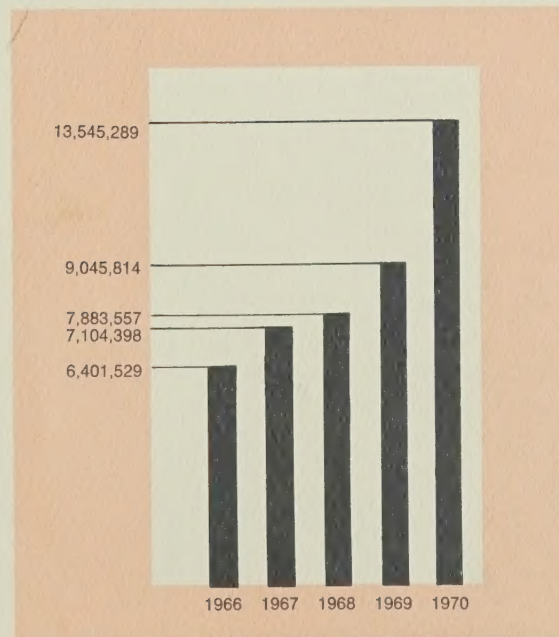
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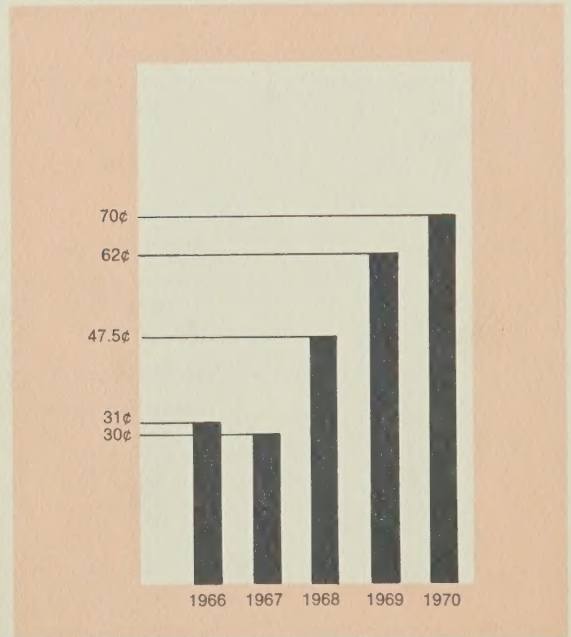
In November 1969, we acquired Monarch Fuel Oil Limited thereby adding annual sales of



sales:



earnings per share:



SHULLY'S INDUSTRIES LIMITED and SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET as at January 31, 1970

ASSETS

CURRENT

	1970	1969
Cash	\$ 89,498	\$ 60,919
Accounts receivable, less allowance for doubtful accounts (note 3)	4,707,657	3,051,155
Inventories of raw materials, work in process and finished goods — at the lower of cost and net realizable value	1,389,022	1,021,786
Advances to salesmen and employees	65,156	91,742
Prepaid expenses and sundry assets	164,054	162,753
	<u>6,415,387</u>	<u>4,388,355</u>

FIXED (note 4)

Plant and equipment	1,405,326	535,911
Motor vehicles	298,590	292,577
	<u>1,703,916</u>	<u>828,488</u>
Less — Accumulated depreciation	535,444	466,630
	<u>1,168,472</u>	<u>361,858</u>

DEFERRED, at cost less amortization

Development costs — new products	19,417	25,889
Debenture and share issue expenses	144,418	26,502
	<u>163,835</u>	<u>52,391</u>
Fuel oil distribution accounts (note 5)	1,213,894	938,335
Goodwill and patents (note 6)	2,677,552	1,151,568

\$11,639,140

\$6,892,507

The attached notes form an integral part of these financial statements.

LIABILITIES

CURRENT

Bankers' advances (note 7)	\$ 2,811,011	\$1,947,106
Accounts payable and accrued liabilities	1,449,374	861,559
Income and other taxes	95,206	268,886

1970

1969

4,355,591

3,077,551

LONG-TERM

7½% Convertible sinking fund debentures, maturing March 15, 1989 (note 8)	2,000,000	—
6% Convertible debentures	—	189,500
9% Mortgage payable — maturing December 23, 1974, less \$33,000 included in current liabilities	137,500	—

6,493,091

3,267,051

DEFERRED INCOME TAXES

147,988

46,216

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 9)

Authorized:

250,000 3% Non-cumulative, redeemable, voting
preference shares, par value \$5 each

2,050,000 Common shares of no par value

Issued and fully paid:

200,000 Preference shares	1,000,000	1,000,000
552,142 Common shares (1969 - 479,172)	3,232,000	2,135,309

4,232,000

3,135,309

766,061

443,931

4,998,061

3,579,240

RETAINED EARNING

\$11,639,140

\$6,892,507

On behalf of the Board:

MAURICE SHULLY, Director

GILBERT JAY SHULLY, Director

SHULLY'S INDUSTRIES LIMITED and SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME *for Year Ended January 31, 1970*

	1970	1969
SALES	\$13,545,289 ✓	\$9,045,814 ✓
COST OF SALES, SELLING AND ADMINISTRATIVE EXPENSES		
(before undernoted items)	12,247,640	8,254,750
Depreciation	76,820	53,272
Debenture interest	131,644	26,674
Bank interest	192,049	100,550
Amortization of deferred charges	31,291	21,573
	12,679,444	8,456,819
INCOME BEFORE TAXES	865,845	588,995
INCOME TAXES	458,717	321,822
NET INCOME	\$ 407,128	\$ 267,173
Earnings per share (after preferred dividends)	*70¢	62¢

*Earnings per share have been calculated using the average number of shares outstanding during the year. Potential conversions of convertible debentures and exercise of warrants and stock options outstanding would have no material effect on earnings per share.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS *for Year Ended January 31, 1970*

	1970	1969
Balance at beginning of year		
As previously reported	\$ 496,822	\$ 292,354
Adjustment of prior years' income taxes (note 13)	52,891	45,768
As restated	443,931	246,586
Add — Net income for year	407,128	267,173
	851,059	513,759
Less — Dividends paid:		
Preference shares	30,000	30,000
Common shares	54,998	39,828
	84,998	69,828
Balance at end of year	\$ 766,061	\$ 443,931

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS For Year Ended January 31, 1970

	1970	1969
SOURCE OF FUNDS		
Operations:		
Net income for year	\$ 407,128	\$ 267,173
Expenses not requiring cash outlay:		
Depreciation	76,820	53,272
Amortization of deferred charges	31,291	21,573
Deferred income taxes	76,433	403
	591,672	342,421
Issue of 7½ % debentures	2,000,000	—
Common shares issued under stock option plan	3,591	4,221
	2,595,263	346,642
USE OF FUNDS		
Cash investment in subsidiary	720,000	450,000
Acquisition of business and net assets	1,361,314	—
	2,081,314	450,000
Less — Working capital at dates of acquisition	941,757	378,696
	1,139,557	71,304
Purchase of fixed assets less disposals	417,200	87,102
Dividends	84,998	69,828
Redemption of 6% debentures	31,400	23,203
Debenture and share issue expenses	145,616	6,494
Mortgage principal payments	27,500	—
	1,846,271	257,931
INCREASE IN WORKING CAPITAL	748,992	88,711
Working capital at beginning of year	1,310,804	1,222,093
Working capital at end of year	\$2,059,796	\$1,310,804

AUDITORS' REPORT

PAPE
STROM
LAVINE
& SHULMAN
CHARTERED ACCOUNTANTS

To the Shareholders of
Shully's Industries Limited

We have examined the consolidated balance sheet of Shully's Industries Limited and its subsidiary companies as at January 31, 1970, and the consolidated statements of income, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at January 31, 1970, and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, with the exception of the change referred to in note 2 to the consolidated financial statements, with which change we concur.

PAPE, STROM, LAVINE & SHULMAN
Chartered Accountants

Toronto, Canada,
April 24, 1970.

SHULLY'S INDUSTRIES LIMITED and SUBSIDIARY COMPANIES NOTES TO FINANCIAL STATEMENTS for Year Ended January 31, 1970

1. Basis of consolidation

The consolidated financial statements include the accounts of Shully's Industries Limited and all subsidiary companies.

During the year, the company acquired all of the issued and outstanding shares of Benarnal Limited (trading as Extrudal of Canada) and Monarch Fuel Oil Limited, and also acquired the business and net assets of Thermotex Windows of Canada. The consolidated statements of income and retained earnings include the operating results from dates of acquisition as follows:

	Date of acquisition
Benarnal Limited	April 1, 1969
Thermotex Windows of Canada	April 1, 1969
Monarch Fuel Oil Limited	November 1, 1969

2. Change in accounting practice

In prior years, the company charged amortization of debenture issue expenses to retained earnings. In the current year, this charge has been reflected in the statement of income, resulting in a decrease of \$11,700 in the net income for the year.

3. Accounts receivable

	1970	1969
Trade receivables	\$3,992,385	\$2,382,441
Instalment contracts	873,644	831,437
	4,866,029	3,213,878
Less — Unearned finance charges	158,372	162,723
	<u>\$4,707,657</u>	<u>\$3,051,155</u>

Approximately \$410,000 of the amounts included in instalment contracts are due after January 31, 1971.

4. Fixed assets

Fixed assets as at February 1, 1962, were recorded in the accounts at appraised value, and subsequent additions have been recorded at

cost. Depreciation has been calculated in accordance with generally accepted accounting principles applied to appraised values or original cost, whichever was applicable.

5. Fuel oil distribution accounts

In 1962, the company acquired a substantial number of homeowner and customer supply contracts for fuel oil distribution. At that time this asset was recorded in the accounts at \$824,000, based on the opinion of an independent research organization. Subsequent acquisitions have been recorded at cost.

At January 31, 1970, the fair market value of this asset, based on the present annual gallonage distributed and the cost per gallon of the most recent acquisition, is in excess of the amount recorded in the accounts.

6. Goodwill and patents include the following items

	1970	1969
Patents and franchises	\$ 555,962	\$ 555,962
Excess of cost of shares in subsidiaries over book value at acquisition	1,196,590	495,600
Goodwill paid on acquisition of businesses	925,000	100,000
	<u>\$2,677,552</u>	<u>\$1,151,562</u>

7. Bankers' advances

Bankers' advances are secured by a general assignment of book debts.

8. 7½% Convertible sinking fund debentures

The debentures are subject to redemption and eligible for conversion under the provisions of a trust indenture dated March 19, 1969, between the company and the Guaranty Trust Company of Canada, as trustee. The debentures are con-

convertible at any time up to March 15, 1979 into 50 common shares for each \$1,000 principal amount of such debenture so converted, and are secured by a first floating charge on the assets of the company.

Annual sinking fund payments of \$150,000 are due on March 15 in each of the years 1979 to 1988, both inclusive. Under the provisions of the trust indenture, debentures redeemed, converted or purchased for cancellation are available to the company as a credit against sinking fund payments.

9. Capital stock

(a) During the year, the following changes took place in the issued and fully paid common share capital:

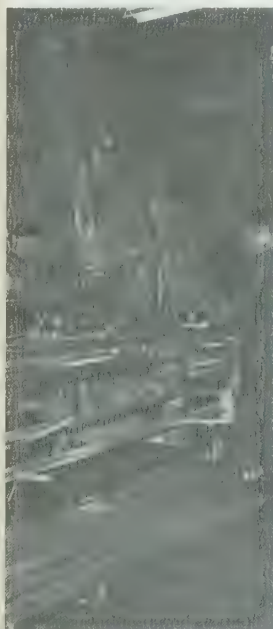
	Number of common shares	Amount
Balance at beginning of year	479,172	\$2,135,309
6% Debentures converted	15,810	158,100
Shares issued as consideration for acquisition of all the shares of Benarnal Limited	55,000	935,000
Shares issued for cash under employees' stock option plan	2,160	3,591
Balance at end of year	552,142	\$3,232,000

(b) The company has an Executive and Key Employees' stock option plan under which options to purchase shares at 10% below the market price may be granted to full time employees. During the year, 2,160 common shares were issued pursuant to the exercise of such options for \$3,591 cash.

At January 31, 1970, options were outstanding in respect of 6,220 common shares at an average price of \$1.69 per share.

SCENES AT SKULLY'S INDUSTRIES LIMITED

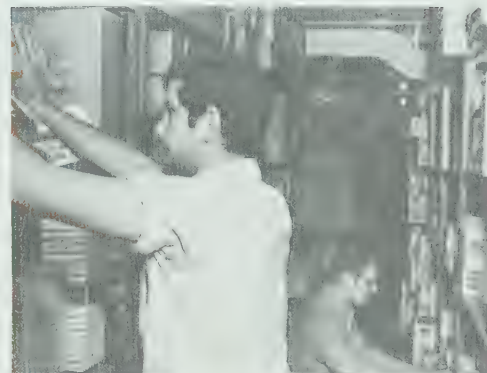
aluminum extrusions
ied lengths for doors and windows.



Final inspection on made-to-order
aluminum awnings.



Itemized stock control,
the key to efficient, economical operation



Automatic, temperature-regulated fuel oil delivery
ensures prompt service to all our customers.



AUDITORS' REPORT

PAPE
STROM
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CHARTERED ACCOUNTANTS

To the Shareholders of
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PAPE, STROM, LAVINE & SHULMAN
Chartered Accountants

Toronto, Canada,
April 24, 1970.

SHULLY'S INDUSTRIES LIMITED and SUBSIDI NOTES TO FINANCIAL STATEMENT for Year Ended January 31, 1970

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4. Fixed assets

Fixed assets as at February 1, 1962, were recorded in the accounts at appraised value, and subsequent additions have been recorded at

Subsequent to balance sheet date, the existing plan was extended, and a further 20,000 shares were set aside for issue under the plan.

- (c) The company has authorized the creation of Series A share purchase warrants entitling the holders to purchase an aggregate of 400,000 common shares at a price of \$17 per share up to March 17, 1974.

At January 31, 1970, the company had issued 47,000 Series A Warrants as partial consideration for the acquisition of all the issued shares of Benarnal Limited. For the purpose of this acquisition, these warrants were valued at \$235,000, and this amount has been deducted from goodwill.

10. Remuneration of directors and senior officers

Remuneration paid during the year to the company's directors, as full-time employees, amounted to \$110,642. Remuneration of directors and senior officers of the company, as defined under The Corporations Act (Ontario), amounted to \$237,924 for the year.

11. Long term leases

Long term leases entered into by the company mature in 1989. Minimum annual rentals payable under these leases in the next fiscal year will be \$165,700.

12. Events subsequent to year end

As of March 1, 1970, the company acquired all of the issued and outstanding shares of Arie Greenberg Limited for \$163,100, payable \$63,100 in cash and the issuance of 15,000 common shares of Shully's Industries Limited valued at \$100,000.

13. Comparative figures

The 1969 comparative figures have been restated to reflect an income tax re-assessment and the change in accounting practice as set out in note 2, and have been reclassified, where necessary, to conform with the financial statement presentation adopted for 1970.

BEHIND THE SCENES AT SHULLY'S INDUSTRIES LIMITED

*Cutting aluminum extrusions
to specified lengths for doors and windows.*



*Final inspection on made-to-order
aluminum awnings.*



*Itemized stock control,
the key to efficient, economical operation.*



*Automatic, temperature-regulated fuel oil delivery
ensures prompt service to all our customers.*



*b. aluminum ingots, destined for
huge extrusion presses.*





SHULLY'S INDUSTRIES LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of SHULLY'S INDUSTRIES LIMITED will be held at the new Head Office of the Company, 100 Toryork Drive, Weston 486, Ontario on Tuesday, the 30th day of June, 1970, at the hour of 11:00 o'clock in the forenoon (D.S.T.) for the purposes of:

- (a) Receiving and considering the Financial Statements for the year ended January 31st, 1970, and the report of the auditors thereon;
- (b) Electing Directors for the ensuing year;
- (c) Appointing auditors for the ensuing year and authorizing the Directors to fix their remuneration;
- (d) Transacting such other business as may properly come before the meeting or any adjournment thereof.

A copy of the Financial Statements and an Information Circular accompanies this notice.

Shareholders who are unable to attend the meeting in person are requested to date and sign the enclosed form of proxy and to return it in the envelope provided for that purpose.

DATED at Toronto this 8th day of June, 1970.

By Order of the Board of Directors,

HAROLD IRWIN SHULLY,

Secretary.

SHULLY'S INDUSTRIES LIMITED

INFORMATION CIRCULAR

This information circular is furnished in connection with the solicitation by the management of SHULLY'S INDUSTRIES LIMITED (the "Company") of proxies to be used at the annual meeting of shareholders of the Company to be held at the time and place and for the purposes set forth in the above notice of meeting. It is expected that the solicitation will be primarily by mail. The cost of such solicitation will be borne by the Company. Proxies may also be solicited personally by regular employees and officers of the Company who will not be compensated therefor.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors of the Company. A shareholder desiring to appoint some other person to represent him at the meeting may do so either by inserting such person's name in the blank space provided in the form of proxy and striking out the names of the two specified persons or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Secretary of the Company or the Chairman of the meeting.

Exercise of Discretion by Proxies

The persons named in the enclosed forms of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. In the absence of such direction, such shares will be voted for the approval of the financial statements of the Company for the year ended January 31, 1970, and for the election of directors and the appointment of auditors as stated under those headings in this circular. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendment, variation or other matters to come before the meeting other than the matters referred to in the notice of meeting.

Voting Shares and Principal Holders Thereof

The Company's authorized capital is composed of 250,000 preference shares with a par value of \$5.00 each and 2,050,000 common shares without par value, and of these, 200,000 fully paid up preference shares and 552,542 fully paid up common shares were issued and outstanding as of June 8th, 1970. At all meetings of the shareholders each share entitles the registered holder thereof to one vote, which may be given in person or by proxy. No shareholder is entitled to vote upon any share in respect of which any call is in arrear.

The management of the Company understands that the following shareholders beneficially own more than 10% of the shares of the Company having voting rights attached thereto:

Shareholder	Common Shares owned	Preference Shares owned	% of voting shares of the Company owned
Maurice Shully	63,226	50,000	15.0%
Harold I. Shully	41,900	50,000	12.2%
Gilbert J. Shully	41,400	50,000	12.2%
J. Bernard Shulman	43,175	50,000	12.4%

Election of Directors

The board consists of seven directors to be elected at each Annual Meeting of shareholders and the term of office is until the following Annual Meeting or until a successor is elected or appointed.

The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom with the exception of Allan Blackstien are now members of the Board of Directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next Annual Meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Company.

The following table and the notes thereto state the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the year in which they became directors of the Company, and the approximate number of shares of each class of the Company beneficially owned directly or indirectly by each of them, as of the 8th day of June, 1970.

<u>Name and Office held</u>	<u>Present principal occupation or employment and principal occupation of employment within 5 preceding years</u>	<u>Year first became a Director</u>	<u>Approximate number of common and preference shares of the Company beneficially owned directly or indirectly as of June 2, 1969</u>
MAURICE SHULLY President and Director	President of the Company	1962	63,226 common 50,000 preference
HAROLD IRWIN SHULLY Vice-President, Secretary and Director	Vice-President and Secretary of the Company	1962	41,900 common 50,000 preference
GILBERT JAY SHULLY Vice-President, Treasurer and Director	Vice-President and Treasurer of the Company	1962	41,400 common 50,000 preference
RAPHAEL DAVID WOLFE Director	President of The Oshawa Wholesale Limited	1962	601 common
LEON ELLIOT WEINSTEIN Director	President of Loblaw Groceries Company Limited and President of Power Supermarkets Limited	1962	1 common
ALBERT SHIFRIN, Q.C. Director	Partner in the law firm of Shifrin & White	1962	2,450 common
ALLAN BLACKSTIEN Proposed Director	Vice-President of Benarnal Limited		19,800 common

NOTES: (a) Each of the above-named have been directors of the Company since the 12th day of January, 1962 with the exception of Allan Blackstien who is being nominated for the first time.

(b) The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors individually.

(c) Unless otherwise stated above, each of the above-named persons has held the principal occupation or employment indicated for at least five years.

Remuneration of Directors and Senior Officers

- (1) The Directors of the Company, as such, receive no remuneration for their services. The Directors who are full-time employees of the Company or its subsidiaries received the sum of \$110,682.60 as direct remuneration for their services for the year ended January 31st, 1970, and the aggregate direct remuneration paid or payable by the Company and its subsidiaries, whose financial statements are consolidated with those of the Company, to the Directors and senior officers as a group, during the fiscal year ended January 31st, 1970, was \$237,924.00.
- (2) The estimated aggregate cost to the Company including subsidiaries for the year ended January 31st, 1970, of all pension or retirement benefits proposed to be paid to the directors and senior officers of the Company under existing plans in the event of retirement at normal retirement age \$ 6,964.00
- (3) During the year ended January 31st, 1970, no share options were granted to the directors or senior officers of the Company.
- (4) The directors and senior officers of the Company purchased during the year ended January 31st, 1970, the following common shares of the Company pursuant to the exercise by them of previously granted share options:

Date of Purchase	Common Shares Purchased	Purchase Price Per Share	Price Range 30 day period preceding date of purchase	
			High	Low
January 19, 1970	1,000	\$1.57½	\$8.25	\$7.37

Appointment of Auditors

It is intended to vote the proxy to reappoint the firm of PAPE, STROM, LAVINE & SHULMAN of Toronto, Chartered Accountants, the present auditors, as auditors of the Company, to hold office until the next annual meeting of the shareholders. Pape, Strom, Lavine & Shulman were first appointed auditors for the Company in 1962 and have been reappointed annually since then.

By Order of the Board,

HAROLD IRWIN SHULLY,

Secretary.

June 8th, 1970.